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SUBJ: CIVAIR NEGOTIATIONS

DELIVER LOY 0900

AT PRIVATE MEETING BETWEEN DEL HEADS, SANTINI AND MEADOWS, SANTINI SET FORTH FOLLOWING ITALIAN POSITIONS ON ITEMS OF INTEREST TO U.S.:

1. CAPACITY - ON THE QUESTION OF ALL-CARGO CAPACITY ITALY IS PREPARED AFTER A THREE YEAR PERIOD TO HAVE THIS SUBJECT COVERED BY THE AGREEMENT AND THE GENERAL CAPACITY SIDE ARRANGEMENT. HOWEVER, THEY WISH A FORMULA IN THE GENERAL CAPACITY CLAUSE WHICH WOULD STATE THAT EX POST FACTO CONSULTATIONS, WOULD TAKE INTO ACCOUNT CARGO CAPACITY OFFERED BOTH IN ALL-CARGO AND MIXED SERVICES. FOR INTERIM PERIOD, SANTINI PROPOSED TEN WEEKLY ALL-CARGO FREQUENCIES FOR U.S. IN FIRST YEAR OF AGREEMENT, 13 IN SECOND YEAR AND 16 IN THIRD YEAR, SAID WE MIGHT HAVE A PARAGRAPH TO INDICATE CONSULTATIONS WOULD BE POSSIBLE IF ACTUAL RESULTS SHOWED THESE FIGURES TOO LOW TO HANDLE AVAILABLE CARGO.

2. ON DISAGREED CAPACITY CONSULTATION, ITALIANS PREFER THEIR FORMULA OF TWO YEAR FREEZE BUT COULD SHIFT TO CONCEPT BASED ON ACTUAL TRAFFIC GROWTH IN PRECEDING YEAR PLUS ALLOWANCE FOR GROWTH THE SAME RATE IN NEXT FOLLOWING YEAR. SANTINI INDICATED THAT ITALIANS COULD ACCEPT CONCEPT THAT CAPACITY OFFERED AS A RESULT

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AGREED CONSULTATIONS NOT SUBSEQUENTLY OPEN TO CHALLENGE UNLESS ACTUAL TRAFFIC FELL SUBSTANTIALLY.

3. BEHIND GATEWAYS - ITALIANS PREPARED ACCEPT CONCEPT TWO HOUR STOPOVER AT GATEWAY, OR CHANGE OF FLIGHT NUMBER AS ALREADY PROPOSED. MEADOWS SUGGESTED NEITHER SOLUTIONS SATISFACTORY. SANTINI INDICATED PERHAPS HE CULD LIME. WITH SILENCE ON SUBJECT WHICH IN ANY CASE WOULD NOT REMAIN A PROBLEM IN THE END.

4. CHANGE OF GAUGE - ITALIANS WILL ACCEPT CHANGE OF GAUGE ON BASIS ONE OUTGOING FLIGHT FOR EACH INCOMING WITHOUT CHANGE OF FLIGHT NUMBER.

5. ROUTES - SANTINI SAID ITALIANS PREPARED CONCEDE 12 CERTIFICATED POINTS FOR U.S. FOR MIXED SERVICES VIA INTERMEDIATE POINTS FRANCE, GERMANY, SWITZERLAND, SPAIN AND PORTUGAL TO ROME AND MILAN AND BEYOND TO ALL POINTS LISTED IN U.S. DOCUMENT NO. 2, WITH POSSIBLE EXCEPTION MALAYSIA AND WHICH HE WOULD CONSIDER.

6. FOR ALL-CARGO ITALIANS PREPARED TO CONCEDE U.S. 6 ORIGINATING POINTS IN U.S. VIA INTERMEDIATE POINTS IN FRANCE, SPAIN, PORTUGAL, IRELAND, AND U.K. MEADOWS SAID WE NEEDED SWITZERLAND AND GERMANY AS WELL. SANTINI SAID HE WOULD CHECK BACK ON THIS. ITALIANS PROPOSED U.S. ALL-CARGO ROUTE TERMINATE AT ROME, MILAN, AND ONE OTHER POINT IN ITALY. MEADOWS SAID THAT IN ADDITION TO BEYOND POINTS FOR MIXED SERVICES IN OUR DOCUMENT NO. 4, WE WOULD ALSO LIKE TO HAVE SYRIA AS AN ADDITIONAL POINT. FURTHERMORE, WE WANT NO LIMITATION ON INTERMEDIATE POINTS, AND NEED TWO POINTS EACH IN TURKEY, BURMA, CAMBODIA, VIET NAM AND MAINLAND CHINA, AND THPEE POINTS IN INDIA. SANTINI TOOK NOTE BUT SAID HE NOT AUTHORIZED TODAY TO GO BEYOND POSITION IN ITALIAN DOCUMENT NO. 2, I.E., ONE POINT IN EACH INTERMEDIATE COUNTRY EACEPT FRANCE (2) AND SPAIN (2) AND ONE POINT IN EACH BEYOND COUNTRY EXCEPT TURKEY AND INDIA WHERE WE COULD HAVE TWO EACH.

7. TURNING TO ITALY ROUTE SCHEDULE, SANTINI SAID ITALIANS NEEDED FOLLOWING EIGHT POINTS, NEW YORK,

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WASHINGTON, BOSTON, DETROIT, PHILADELPHIA, CHICAGO, LOS ANGELES, AND SAN FRANCISCO-OAKLAND. THEY WANT CO-TERMINALS AS FOLLOWS: BOSTON-DETROIT, BOSTON-PHILADELPHIA, BOSTON-PHILADELPHIA AND/OR WASHINTON, LOS ANGELES-SAN FRANCISCO/OAKLAND, AND CHICAGO-LOS ANGELES. ALL WITHOUT TRAFFIC RIGHTS IN THE U.S. THEY WANT INTERMEDIATES IN SPAIN OR FRANCE, U.K., IRELAND OR PORTUGAL, AND CANADA. ON ALL-CARGO ITALIANS WANT THREE U.S. POINTS NEW YORK, BOSTON, CHICAGO WITH CO-TERMINALS BOSTON,-NEW YORK, AND NEW YORK-CHICAGO. THEY WANT INTERMEDIATES IN SPAIN OR FRANCE, U.K. AND CANADA.

8. ON MULTIPLE DESIGNATION, SANTINI SAID THAT WHILE HIS DELEGATION INSISTS THAT AGREEMENT SPECIFICALLY NAME THREE CURRENT U.S. CARRIERS AND STATE THAT NO MORE CAN BE ACCEPTED, HE PERSONALLY THINKS THAT SOME FORMULA INVOLVING A PRIOR CONSULTATION ON COMPENSATION COULD BE ACCEPTED.

9. MEADOWS INDICATED CONVERSATION HAD BEEN VERY USEFUL AND THAT WE HAD A CLEAR UNDERSTANDING OF ITALIAN POSITION ON MOST POINTS. HE MUST STATE FRNAKLY THAT ITALIAN REVERSAL OF POSITION ON MULTIPLE DESIGNATION HAD SEVERELY WORSENED CLIMATE IN WASHINGTON AND FURTHER THAT SAN FRANCISCO HAS A POINT WHICH HAD NEVER BEEN GRANTED TOGETHER WITH LOS ANGELES TO ANY FOREIGN COUNTRY, WAS SO CONTROVERSIAL A MATTER THAT IT IMPOSSIBLE TO OBTAIN IT FOR ITALY UNDER PRESENT CIRCUMSTANCES. WHILE WE NOTED THAT ITALIAN POSITION WAS STILL SOMEWHAT UNCLEAR ON A NUMBER OF ITEMS AND WAS CERTAINLY LESS THAN THE 95 PERCENT OF OUR REQUESTS WHICH WE HAD BEEN LEAD TO EXPECT STILL WE WOULD SUBMIT IT AND SEE WHAT KIND OF A PACKAGE WE COULD WORK OUT.

10. BECAUSE OF DIFFICULTY IN REACHING AGREEMENT MEADOWS SUGGESTED IT MIGHT BE WELL TO RECESS TALKS FOR A MONTH OR SO WHILE BOTH SIDES RECONSIDER POSITIONS. SANTINI SAID THIS WOULD BE A MISTAKE AND HE VERY MUCH HOPED AGREEMENT COULD BE REACHED THIS WEEK. HIS NEW MINISTER WAS A SOCIALIST. OTHER MEMBERS OF HIS DELFGATION HAD REACTED VERY NEGATIVELY TO U.S. EFFORT ON PREVIOUS DAY TO OPEN QUESTION OF TEMPORARY

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ARRANGEMENTS. HE FEARED, THEREFORE, HE WOULD HAVE TO STICK ON ITALIAN POSITION OF PARITY FOR 747 FLIGHTS AT 11 EACH SIDE, NO MATTER HOW UNPLEASANT CONSEQUENCES MIGHT BE. GIVEN CURRENT DELICATE POLITICAL SITUATION IN ITALY, AGREEMENT NOW WOULD BE A MAJOR PLUS FOR BOTH SIDES.

11. USDEL REVIEWING PACKAGE WITH US CARRIERS AND HOPES FORWARD SUGGESTIONS TOMORROW.
MARTIN

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